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Statement of AT&T Corp
Regarding Section Five of Raised House Bill H.B. No. 7055
"ACT CONCERNING CONNECTICUT FIRST"
Before the Committee on Finance, Revenue and Bonding
April 15, 2015

Proposal:

Section Five of the Raised Bill would allow special taxing districts established under C.G.S. Section 7-325 to plan, lay out, acquire, construct, maintain, operate and regulate a community broadband system.

Comments:

AT&T appreciates the opportunity to provide comment on the Raised Bill and while we very much support efforts to foster private sector investment in broadband networks we oppose proposals such as that enumerated in the Raised Bill which would allow for the construction of government-owned and operated broadband networks where privately-owned broadband networks already exist.

Connecticut's Position – A World Leader:

Connecticut is already a national and international leader when it comes to high speed broadband access and adoption as a result of significant ongoing investments by cable companies, wired telecommunications carriers and wireless providers.

Consider the following:

- Wired telecommunications companies have invested significant resources into the state and routinely provision Gigabit and higher speed services to customers upon their request.
- Cable companies have deployed their fastest and most cutting-edge networks throughout the state. Broadband speeds available from those providers typically reach 500 Mbs per second and often reach up to 10 Gigabit per second. Less than two weeks ago, Comcast announced that it plans to offer 2 Gigabit service to nearly its entire nationwide footprint by the end of this year.
- Each of the four largest wireless providers in the state have deployed 4G LTE service throughout Connecticut and today provide wireless broadband speeds which would surpass most wired broadband connections available only a few short years ago. And wireless broadband technology is only expected to improve; Nokia Networks has developed an unthinkable fast 5G cellular technology which reaches peak speeds of 10 Gigabits per second.

Connecticut's position as a national and international leader is reflected in a number of independent studies. For example, according to the June 2013 report "Four Years of Broadband Growth" from the White House's Office of Science and Technology Policy & The National Economic Council, Connecticut ranked no less than third among the fifty states when it examined broadband availability greater than 10 Mbps, 25 Mbps, and 50 Mbps. The following is a link to the study:

http://www.whitehouse.gov/sites/default/files/broadband_report_final.pdf

A study by Akamai Technologies – a content hosting and delivery provider which delivers between 15 and 30 percent of all Internet traffic - of average peak Internet connection speeds found during the third quarter of 2014 that if Connecticut were its own country, it would rank fifth in connection speed of any country in the world. The study further found that Connecticut's speeds increased 66 percent from a year earlier – no doubt the downstream result of greater private investment in cutting-edge, faster networks.

According to the same Akamai report, Connecticut is also a national leader when it comes to "high broadband adoption rates" -- that is, the percentage of broadband customers who subscribe to faster broadband connections. Connecticut ranks second among all fifty states, with some 64 percent of all broadband connections above 10 Mbps. Trend data over time illustrates again that Connecticut's relative position is improving as the state's high broadband adoption rate increased more than 50 percent from the previous year. Below is a link to a *Washington Post* story on the study results; it contains embedded links to the underlying study (for which a reader must provide some background data in order to gain access): <http://www.washingtonpost.com/blogs/govbeat/wp/2015/01/08/how-state-internet-speeds-compare-with-countries-around-the-world/>

On-Going Massive Private-Sector Investment:

The growing availability of broadband and faster speeds are the result of massive on-going investments by private sector providers. To quote the White House study cited above:

"Responding to the increasing consumer demand for services accessed through broadband, the private sector has been driving important advances in infrastructure and technology. U.S. telecommunications firms have made significant investments in infrastructure; for example, just two of the largest U.S. telecommunications companies account for greater combined stateside investment than the top five oil/gas companies, and nearly four times more than the big three auto companies combined. In fact, since President Obama took office in early 2009, nearly \$250 billion in private capital has been invested in U.S. wired and wireless broadband networks. In just the last two years, more high-speed fiber cables have been laid in the United States than in any similar period since 2000. Moreover, during President Obama's first term, the annual investment in U.S. wireless networks alone grew more than 40 percent from \$21 billion to \$30 billion. Projections for 2013 estimate an annual wireless network investment at \$35 billion."

AT&T has invested more than \$100 billion in the United States in just the last five years – more than any other U.S. company. And in the last three years alone, AT&T invested nearly \$750 million in just the state of Connecticut.

The Role for Policymakers:

As the committee considers what affirmative steps, if any, to further aid in the deployment of gigabit and other broadband networks, we would urge that focus and attention be paid to two areas: increasing broadband adoption and eliminating rules and other barriers which impede further private sector investment.

Despite the widespread availability of broadband, some 21 percent of the Connecticut households don't subscribe to broadband even though it is available. Nationally, more than 50 percent of those who have available access but who do not subscribe report that they have no interest or need to access the internet. There are significant differences in adoption rates among college and non-college educated; affluent and non-affluent; among races, and among different age groups.

Clearly there are real benefits that come with broadband access yet that is neither understood nor believed by a large percentage of the population. While the private sector is best suited to expand broadband access, state and local governments are particularly well suited to design and execute education campaigns which will spur greater broadband adoption.

State and local governments are also well positioned to eliminate or at least mitigate bureaucratic delays and additional costs of deployment which inhibit investment, increase time to deploy, and reduce the overall pool of capital investment. For example, fiber deployments typically require the installation of cabinets and other structures on or near the public right-of-way. Eliminating permitting fees, speeding permit approvals, and allowing for the use of municipal property for cabinets are all steps which will aid in enhanced deployment and a decrease in the costs of infrastructure. Or consider the costs of wireless deployments where, for example, the "soft costs" of constructing a new tower site can easily approach \$250,000 and can take years of review prior to approval. Finally, tax policy plays a role as well as companies consider the costs of deployment over the long-term and weigh the relative costs in one jurisdiction versus another. Connecticut, for example, levies among the highest taxes on telecommunications company personal property of any state in the country.

The Raised Bill is Unnecessary, Risky and Will Chill Private Sector Investment:

Private broadband providers are already offering the services that consumers and businesses want on a very broad basis in the state of Connecticut and their offerings are only expected to increase and improve in the short-term. Today businesses can get broadband from the private sector at nearly any speed they want; the breadth of those offerings will only increase.

Broadband networks are complex, complicated undertakings which require expertise, scale, scope and on-going investments which no Connecticut municipality, let alone a small taxing district within a city or town, could reasonably be expected to successfully undertake. There are numerous examples of municipalities across the country who have tried and failed in their attempts to become broadband providers. One case in point is the City of Groton, Connecticut, which issued some \$30 million in local bonds to construct a broadband network which ultimately was shuttered and sold for pennies on the dollar, leaving the city's taxpayers responsible for paying the millions of dollars in interest costs for years to come.

Municipal taxing districts were originally established to provide services within defined geographic areas of cities and towns where the local governments could not provide those services; for example, to clean streets and empty trash in downtown central business districts. While these special districts were very narrowly designed to fill gaps in services provided by local governments, the changes proposed by the Raised Bill go much further. There is no service gap here; rather, the Raised Bill would allow these districts to offer services in the same locations where the same services are already being offered by the private sector. That is a massively different and distinct mission than the purpose for which these districts were originally conceived.

Taxpayers within existing special taxing districts voted, in many cases decades ago, to create these districts with the understanding that their purpose was very limited in nature and scope – that is, to supplement services that are not otherwise available or adequately provided by the city. They did not cast their votes in favor of allowing these districts to undertake the activities outlined in this bill in competition with services that are already available -- indeed, plentiful -- from the private sector. This is akin to a classic "bait and switch", which disenfranchises the very voters/property owners these districts serve.

Using tax dollars to construct and operate a municipal broadband network in competition with the private sector will also have the perverse effect of dissuading and driving out additional private sector investment in broadband. Rather than "solving" a need, the bill will actually create a problem where one does not even exist today by shunning investment in the very technologies and services which the bill is intended to bring about.

Conclusion:

Connecticut is a national and international leader when it comes to broadband availability and adoption as a result of on-going private sector investment. To further boost broadband availability, the state can help to encourage greater adoption and take other steps to spur further investment by the private sector. However, the language in the Raised Bill will discourage further private sector broadband investment at the expense of the interests of taxpayers at risk with no legitimate need to do so.